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DISCLAIMER

- 1) I AM NOT LICENSED TO GIVE LEGAL ADVICE
- 2) I AM NOT LICENSED TO GIVE TAX ADVICE

DIVORCE!

When is it time to bring in a Financial Professional and what sort of things will you need to discuss with your Financial Advisor before agreeing to any terms of a divorce?

WHAT ARE THE ASSETS THAT YOU OWN AS A COUPLE AND HOW CAN THEY BE DIVIDED?

- 1) Qualified Plans (Example 401Ks, Profit sharing plans, ESOPs and Pensions. *(Usually the largest asset most people own)*).
- 2) Roth and Traditional IRAs. (Both considered Qualified Money)
- 3) Non-qualified Investment accounts.
- 4) Real estate
- 5) Sentimental assets that may not have a monetary value.

QUALIFIED MONEY. WHAT DOES THAT MEAN?

- **Qualified money** is money that has been invested Pre-tax and will grow tax deferred until it is taken out and will be taxed at the owner's ordinary income bracket.
- Early distributions generally are hit with a 10% early retirement penalty if under the age of 59 ½ .
- Historically at age 70 ½ you will have a Required Minimum Distribution. (Recently the SECURE Act changed this to age 72.) 😊

2020 MARGINAL TAX BRACKETS

Income tax brackets

Married, joint	2019	Married, joint	2020
10%	\$1–19,400	10%	\$1– \$19,750
12%	\$19,401–\$78,950	12%	\$19,751–\$80,250
22%	\$78,951–\$168,400	22%	\$80,251–\$171,050
24%	\$168,401–\$321,450	24%	\$171,051–\$326,600
32%	\$321,451–\$408,200	32%	\$326,601–\$414,700
35%	\$408,201–\$612,350	35%	\$414,701–\$622,050
37%	Over \$612,350	37%	Over \$622,050

Single	2019	Single	2020
10%	\$1–\$9,700	10%	\$1–\$9,875
12%	\$9,701–\$39,475	12%	\$9,876–\$40,125
22%	\$39,476–\$84,200	22%	\$40,126–\$85,525
24%	\$84,201–\$160,725	24%	\$85,526–\$163,300
32%	\$160,726–\$204,100	32%	\$163,301–\$207,350
35%	\$204,101–\$510,300	35%	\$207,351–\$518,400
37%	Over \$510,300	37%	Over \$518,400

DISTRIBUTION OPTIONS OF QUALIFIED MONEY

- Be aware of the Tax Consequences (May be subject to 20% withholding if it is in a qualified plan.)
- Divided by QDRO (Qualified Domestic Relations Order)
- Can be transferred to IRA or Distributions can be made.

Most important question to ask.... *How early can you your client access the funds and what is their time horizon.* (How soon will they need it.)



WHILE MOVING THE ASSETS...

- The first thing to consider is how the client wants the **Beneficiary Designation** to be made. (Life Insurance, IRAs, Qualified Plans, and Non-Qualified investments.)
- **Make this change immediately.** It is too easy to move on and forget to make the change.

RISK TOLERANCE AND TIME HORIZON.

- How soon will the client need to take a distribution?
- What is **their** Risk Tolerance? (Not that of the Ex...)
- Tax Implication of the registration. (Traditional vs Roth)

FINAL TAKE AWAY...

- It is important to put together a team of professionals to help when a client is in need.
 - Family Law Attorney (Legal Advice)
 - Financial Advisor (Investment Advice)
 - CPA (Tax Advice)
 - **Don't be a Jack of all trades and a Master of None.** Be a good quarterback and put together a team of professionals to make sure that your client gets the best advice possible.



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